



UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEW JERSEY

**MARK E. FELGER (MF9985)**  
**JERROLD N. POSLUSNY, JR. (JP7140)**  
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Attorneys for the Debtors

In re:

SHAPES/ARCH HOLDINGS L.L.C., et al.,  
  
Debtors.

Case No. 08-14631(GMB)

Judge: Gloria M. Burns

Chapter: 11

**STIPULATION AND ORDER BETWEEN SHAPES/ARCH HOLDINGS L.L.C. ET AL AND  
ARROWOOD INDEMNITY COMPANY (F/K/A ROYAL INDEMNITY COMPANY)**

The relief set forth on the following pages, numbered two (2) through four (4), is  
hereby **ORDERED**.

**DATED: 3/20/2009**

  
\_\_\_\_\_  
Honorable Gloria M. Burns  
United States Bankruptcy Court Judge

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Pursuant to its Motion To Determine Allowed Claims Of Class Claimants Under 502(C) Of The Bankruptcy Code And Related Relief (the “Motion”), filed by Shapes/Arch Holdings L.L.C. et al. (collectively, the “Debtor”) on or about June 20, 2008, the Debtor seeks an order determining the amount of the Allowed Claim (as such term is defined in the Motion) of the proof of claim filed by Arrowood Indemnity Company (f/k/a Royal Indemnity Company) (“Arrowood”) on May 12, 2008 (the “Proof of Claim”) in the amount of \$393,970.

Arrowood’s claim is secured by a letter of credit provided by the Debtor currently in the amount of \$395,956.12 (the “L/C”) and a cash escrow in the amount of \$40,000 (the “Escrow”).

The Debtor and Arrowood have examined the amount of the Proof of Claim and have reached agreement with respect thereto as described below.

NOW, THEREFORE, subject to the Court’s entry of an order approving this Stipulation, it is hereby stipulated and agreed by and between the Debtor and Arrowood as follows:

**AGREEMENT**

1. Upon entry of an order approving this Stipulation,
  - (a) Arrowood shall be granted an allowed, secured claim in a contingent, unliquidated amount but in no event higher than \$275,517.71;
  - (b) The amount of the L/C shall be reduced to \$235,000 by amendment thereto initiated by Arrowood;
  - (c) Arrowood shall be entitled to satisfy the Debtor’s obligations to Arrowood as such obligations arise exclusively from the Escrow and the proceeds of the L/C pursuant to the

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terms of the various policies of insurance provided by Arrowood to the Debtor and such other security agreements as exist between Arrowood and the Debtor;

(d) On a semi-annual basis commencing on January 1, 2010, Arrowood and the Debtor shall re-examine Arrowood's collateral requirements and make any agreed-upon reductions thereto at such semi-annual review; and

(e) In the event that Arrowood and the Debtor are unable to reach agreement with respect to reductions to Arrowood's collateral requirements upon such semi-annual reviews, the Bankruptcy Court shall retain jurisdiction over this matter to make a determination with respect to Arrowood's collateral requirements.

2. This Stipulation and the terms and conditions herein shall not become effective and shall be of no force or effect unless and until it is so ordered by the Bankruptcy Court, and this Stipulation may not be modified other than by a signed writing executed by the parties hereto or by further order of the Bankruptcy Court.

3. This Stipulation may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument, and it shall constitute sufficient proof of this Stipulation to present any copy, copies or facsimiles signed by the parties hereto to be charged.

4. Each person who executes this Stipulation represents that he is counsel for his representative client and is executing this document on behalf of his respective client.

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Dated: March 17, 2009

/s/ Jerrold N. Poslusny, Jr.

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